FREQUENTLY ASKED QUESTIONS
BANK INDONESIA REGULATION NO.16/16/PBI/2014
CONCERNING FOREIGN EXCHANCE TRANSACTION AGAINST RUPIAH
BETWEEN BANKS AND DOMESTIC PARTIES

1. Q : **What is the background of the Bank Indonesia Regulation (PBI) issuance on Foreign Exchange Transaction against Rupiah between Banks and Domestic Parties?**

   A : The new PBI issuance which is a harmonization and improvement from several PBIs aims to provide clearer guidelines and flexibility for domestic economic actors in performing foreign exchange transactions against Rupiah. This improvement is expected to encourage the deepening domestic foreign exchange market in enhancing foreign exchange transactions related to economic activities. The improvement among other is made by rearranging the: 1) underlying transactions, 2) settlements of transactions, and 3) sanctions upon violations between banks and domestic parties. Other than that, grouping and combining of regulations between banks and domestic parties in a comprehensive regulation are also conducted.

2. Q : **Who are the referred domestic parties in this PBI?**

   A : The domestic parties in this PBI include:
   a. Banks.
   b. Customers consisting of: 1) individuals having Indonesian citizenship; or 2) legal entities other than banks incorporated in Indonesia, domiciled in Indonesia, and having Tax Numbers (*NPWP*).

3. Q : **What types of underlying transactions that can be used by customers to perform transactions with banks?**

   A : Underlying transactions include all activities of:
   a. goods and services trading, both domestic and overseas;
   b. investments in the form of direct investment, portfolio investment, loans, capital, and other investments, domestic and overseas;

   but not including:

a. Placement of funds in the banks among others in the form of savings, demand deposits, time deposits, and negotiable certificate of deposit (NCD).
b. Activities of transfering funds by funds transfer companies.

4. Q : **Can Customers make purchases of foreign currencies against Rupiah above the nominal value of the underlying transactions?**

A : No. Customers are prohibited from purchasing foreign currencies against Rupiah to banks that exceeds the nominal value of their underlying transactions. However, in the event the nominal value of the underlying transactions not in multiples of USD10,000.00 (ten thousand US Dollar), a rounding up toward the nominal value of the underlying transactions referred to can be conducted in multiples of USD10,000.00 (ten thousand US Dollar).

For example: a customer has a payment obligation of an invoice in the amount of USD 159,785.00. Towards that invoice, a rounding up of the nominal value to USD160,000.00 can be made, and the concerned customer can make a purchase of foreign currency against rupiah to banks not to exceed USD160,000.00.

5. Q : **A Customer makes a foreign currency purchase against Rupiah above the threshold through a derivative transaction, and upon such transaction the customer has submitted underlying transaction documents and supporting documents to banks. If then, the customer make the transaction through a spot transaction or a derivative transaction for roll over, early termination, or unwinding from the initial derivative transaction, does the customer remain subject to the obligation to submit underlying transaction documents and supporting documents?**

A : No. In this case, the obligation to submit underlying transaction documents and supporting documents has already been imposed to the customer at the initial derivative transaction, whereas its value was above the threshold. In the event the customer performs the transaction through spot transactions or derivative transactions in order to roll over, early termination, and unwinding from the initial derivative transaction, the concerned customer will not be subject to the obligation to submit underlying transaction documents and supporting documents.

6. Q : **Do inter-banks transactions require to have underlying transaction?**

A : No. Banks do not require to have underlying transactions for inter-banks transactions.

7. Q : **Can settlements of spot transactions between banks and customers and inter-banks be performed by netting?**

A : No. Settlements of spot transactions between banks and customers and also inter-banks must be performed by full movement of funds. Settlements of spot transactions that may be performed by netting are only applicable for spot transactions made in order to settle roll over, early termination, and unwinding from the initial derivative transactions.

8. Q : **Can settlements of derivative transactions for foreign currencies purchases against Rupiah for the purpose of roll over, early termination, and unwinding with a purchase value not exceeding USD100,000.00 (one hundred thousand US Dollar) be performed by netting**?

A : Yes. Settlements of derivative transactions for foreign currencies purchases against Rupiah for the purpose of roll over, early termination, and unwinding with a purchase value not exceeding USD100,000.00 (one hundred thousand US Dollar) can be performed by netting provided that they are supported by the underlying documents of the initial derivative transactions.

9. Q : **When is the due date for receiving underlying transaction documents and/or supporting documents by banks for spot transactions?**

A : Underlying transaction documents and/or supporting documents for spot transactions shall be received by banks on the transaction date and no later than the value date.

10. Q : **When is the due date for receiving underlying transaction documents and/or**

supporting documents by banks for derivative transactions?

A : Underlying transaction documents and/or supporting documents for derivative transactions shall be received by banks on the transaction date and no later than 5 business days after the transaction date. In the event the maturity date of the derivative transactions is less than 5 business days after the transaction date, the underlying transaction documents and/or supporting documents must be received by Banks no later than the maturity date.

11. Q : How are sanctions regulated in this PBI?

A : Banks that violates the regulation shall be imposed an administrative sanction in the form of a written warning and a financial penalty of 1% (one percent) from the nominal value of the violated transaction for every violation, with a penalty no less than Rp10.000.000,00 (ten million Rupiah) and no greater than Rp1.000.000.000,00 (one billion Rupiah).

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